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FOR IMMEDIATE RELEASE:

**INDIANAPOLIS MAN SENTENCED
IN MORTGAGE FRAUD SCHEME**

PRESS RELEASE

Susan W. Brooks, United States Attorney for the Southern District of Indiana, announced that JABBAR MONTEZ WATTS, 32, of Indianapolis, Indiana, was sentenced today for crimes related to mortgage fraud activities in which he participated between September 2000 and August 2003. WATTS was sentenced to 7 years and 8 months imprisonment by U.S. District Court Judge Larry J. McKinney. This case was the result of an investigation by special agents of the Internal Revenue Service and the Federal Bureau of Investigation, working as part of the Southern District of Indiana Mortgage Fraud Task Force.

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WATTS previously pleaded guilty on November 26, 2003 to all charges against him, including one count of conspiracy to commit mail fraud, one count of money laundering, and one count of identity theft. The charges related to WATTS and other defendants fraudulently obtaining large amounts of money from several lending institutions by submitting false loan applications, fraudulent financial documents, and falsely inflated appraisals for the purpose of obtaining mortgage loans. WATTS' brother, JaMichael Watts, and mother, Brenda Beckwith, also pleaded guilty on November 26, 2003 to related charges arising from the same schemes and were sentenced to 41 months and 18 months in prison, respectively, on April 1, 2004.

JABBAR WATTS and JaMichael Watts both operated as mortgage brokers, working at various times between 2000 and 2003 for Prodigy Financial Group, Royalty Mortgage, CLC Mortgage and J.D. Mortgage. Brenda Beckwith worked at Prodigy and at J.D. Mortgage at various times and acted as a "straw purchaser" for various properties in the mortgage fraud scheme.

According to facts presented at the guilty plea hearings, the defendants fraudulently obtained over \$2.2 million through 20 separate mortgage loans. The scheme involved what is commonly referred to as "flip" transactions. The defendants provided the money for and purchased, either in their own name or the name of straw purchasers, houses in low-income areas primarily on the near northeast side of Indianapolis. A very short time after buying the properties at a low fair market price, the defendants entered into a second transaction to sell the properties. In the second sale, the sales price far exceeded the value of the property. The

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defendants recruited straw purchasers, people who were recruited to sign the purchase and loan documents but who were never intended to have a real interest in the properties, to buy the properties. The defendants then originated loans to obtain financing for these second purchases. They prepared and submitted to mortgage lenders false loan applications supported by fraudulent W-2 forms, pay stubs, verifications of employment, and bank account information. They also submitted falsely inflated appraisals to induce the lending institutions to make the loans. According to the charges, JABBAR WATTS actually prepared many of the falsely inflated appraisals using software he purchased and forging the name of a legitimate appraiser.

JABBAR WATTS was the loan broker in fifteen of the loans charged, wherein over \$1,750,000 in fraudulent loan proceeds were obtained. In some of the “flip” transactions, the straw purchasers were in fact people for whom JABBAR WATTS had stolen the identities of real people and caused false identification documents, including drivers’ licenses, to be prepared, showing that these people whose identities had been stolen were actually the purchasers of the property. WATTS then recruited and paid other people to go to the closings on the sales and sign the closing documents, purporting to be the people whose identity had been stolen. JABBAR WATTS recruited and paid a closing agent for a title company to participate in the fraud. The closing agent was previously convicted of mortgage fraud crimes.

In the case of some of the properties purchased and sold by the defendants, the properties were re-sold more than once, with the sales price and loan amounts being falsely

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inflated in each sale. For example, the properties at 1624 N. Delaware Street and 1630 N. Delaware Street were legitimately purchased for \$80,000 and \$30,000 respectively, and in the flip transaction, JABBAR WATTS obtained loans in the amounts of \$340,000 and \$324,000 respectively, in the names of a person whose identity had been stolen.

After obtaining the fraudulent loan proceeds, the defendants and others shared the funds and engaged in various transactions to hide or launder the money. The majority of the loans fraudulently obtained were not repaid as agreed, are currently in default, and are or have been the subject of foreclosure proceedings.

According to Assistant United States Attorney Susan Heckard Dowd, who prosecuted the case for the government, Judge McKinney also ordered WATTS to serve three years supervised release following WATTS' imprisonment and to pay restitution in the amount of \$1,795,050.

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